

The operation of a parking lot for patients and visitors only by a section 501(c)(3) hospital does not constitute unrelated trade or business under section 513 of the Code.

Advice has been requested whether, under the circumstances described below, the operation of a parking lot by a hospital exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954 is unrelated trade or business within the meaning of section 513 of the Code.

The hospital was concerned with providing sufficient parking space for visitors because visitation is considered to be supportive therapy and part of patient treatment. Because of a serious lack of adequate parking space, the hospital constructed adjacent to its main building a parking lot for patients and visitors only. The lot is not for general public utilization. A fee is charged for the use of these facilities and all profits are placed in the hospital's general operating fund.

Section 513 of the Code defines the term 'unrelated trade or business' as any trade or business, the conduct of which is not substantially related (aside from the need of an organization for income or funds or the use it makes of the profits derived) to the exercise or performance by an organization of its exempt functions.

Section 1.513-1(d)(2) of the Income Tax Regulations provides that a trade or business is 'substantially related' only if the production or distribution of the goods or the performance of the services from which the gross income is derived contributes importantly to the accomplishment of the purposes for which exemption was granted.

One of the purposes of the hospital is to provide health care for members of the community. Visitation of patients constitutes supportive therapy that assists in patient treatment and encourages their recovery. Without adequate parking facilities for patients and visitors, the hospital could not operate with maximum effectiveness in serving the public. See *Ellis Hospital v. Fredette*, 279 NYS 2d 925 (1967). Therefore, it is held that providing such facilities contributes importantly to the accomplishment of the hospital's exempt purpose. Accordingly, this activity is substantially related to the purpose constituting the basis for the hospital's exemption and does not constitute unrelated trade or business within the meaning of section 513 of the Code.